

INDIAN ECONOMY - ETHICAL ISSUES AND SOCIAL RESPONSIBILITIES

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ABSTRACT

Since Indian economy is in developing stage so its various industries like agriculture, telecommunication and infrastructure development too are in growing stage. Things changed in 1991 with India embracing globalization, opening its economy gates for the whole world, allowing multinational companies to work in our nation and putting their money in India's core sectors. With international corporations entering the fray, there was a significant increase in competitions among firms in India. Each corporation put their best forward to succeed. Profit maximization became the mantra of corporations across the nation. This phase also witnessed rise in literacy rates and growing awareness among consumers. All these changes brought forward a very important concept of corporate social responsibility and each corporation claims to be very serious about this. In this article, we will carry out a detailed analysis of CSR in our country and what is its contribution towards social and economic growth of our nation? We will also study the importance of CSR.

KEYWORDS: *Corporate Social Responsibility; Globalization; Industrial Growth.*

Introduction

The 21st century is a century of unparalleled opportunities and constraints, propelled liberalization, privatization and globalization, the quest for all round development and concern for impacts for climate challenges. Business in India has always played a very important role in country's economy and its relevance is increasing with each passing day. Whole world has accepted the fact that amalgamation of social, climatic and moral responsibilities takes the business to the greatest heights. This is also based on the traditional view, businessmen are from the society only and so they should work towards making the society a better place to live. This also creates a positive image of the companies in the society. This is beneficial from business point of view as well. Companies involved in CSR keep in high esteem by the consumers and they prefer to consume their products. There is no please to all definitions of CSR but all the definitions that exist point to the fact, businesses need society for their success and society too expects businesses to do something for their welfare. In its primitive days, CSR encompasses basic humanitarian actions of the corporations. The idea of CSR has been changed over the years across the world. The CSR now consists of social, financial and environmental framework, companies responsibilities towards society, benevolence, charitable activities, common concerns, social and ethical dimensions of the business and catering to the needs of the society.

This point is highlighted in the statements below:

As per the definition of CSR by EC1 "the responsibility of enterprises for their society impact" to fulfill their social obligations, corporations "should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their shareholders."

As per the definition of CSR given by WBCSD, it is "the continuing commitment by business to contribute to development of economy while improving the quality of life of the workforce and their families as well as of the community and society at large."

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The definition by Unido states that “Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic and social activities”

It is taking care of the social, environmental and financial framework along with fulfilling the requirements of investors and business owners. Here we can put forward the distinction between corporate social responsibility which is a business management idea and social concepts like charity, promotions and benevolence.

Objectives

- To find out the scale of CSR in our country
- To know the real stories of corporate social responsibilities and real working facets of corporate social responsibilities
- To learn various statutes related to the concept in our country
- To learn the obstacles in the path of corporate social responsibility in our country
- To find the ways to enhance the scope of corporate social responsibility in our country

Research Methodology

Our study is based on the secondary data collected from various third party sources like printed texts, journals, news media etc.

CSR in India

Corporate social responsibility in India is conventionally associated with benevolence. Furthermore, in Indian context, it is more of a voluntary activity than a pressurized one. There is very less theoretical data available on corporate social responsibility. Although, there can be no doubt in anybody's mind that corporate social responsibility is an extremely important concept in national interest. As believed by experts, corporate social responsibility in India couldn't break the ceiling of benevolence yet but its benefits have been surely started reaching the society at large. In this era of liberalization and globalization although the concept of corporate social responsibility is primarily concerned with development of the society but its scope has become more strategic one and companies are leaving no stones unturned in highlighting their corporate social responsibilities initiatives. The concept of corporate social responsibility has been assigned an even higher importance in company's act 2013 and the act has promoted proper disclosures and clean dealings in corporate social responsibility. Society has been assigned the prime focus in the seventh schedule of company's act 2013. Moreover, by speaking about corporate dealings with its stakeholders and amalgamation of corporate social responsibility in its basic agenda, the act breaks the society ceiling for the corporate social responsibility and takes the idea to greater roles and not just benevolence. We can just hope that whatever is suggested in the act for corporate social responsibility is implemented in letter and spirits by the corporates?

As per a survey on CSR conducted by TERI in 2001, the rise of corporate social responsibility in India is mainly due to four well crafted approaches:

Ethical model (1930-1950): An important feature of this prototype is the expansion of cooperation that was also promoted by Gandhi ji. As per this idea, corporate were encouraged to run their companies in the form of a trust who work towards the upliftment of the society. The concept made many conventional business families to work towards society. The work carried out by some big corporates like TATA under this concept towards the community is commendable.

Statist Model (1950-1970s): This model became popular after India's independence with the efforts of Pandit Nehru , India's first prime minister after India attained its independence. The economy at the time was an amalgamation of blended and leftist approach. Under this approach, the government holding and law provided the CSR guidelines.

Liberal Model (1970s-1990s): This approach was patroned by Milton Friedman. In the Perth model, CSR was concerned with economic aspect only. This means that there was no issue with corporate earning of lots of money if they obey all the laws. CSR under this approach would be taken care of by the taxes paid by the corporates. Doing charity was an option for the corporates and it was not forced.

Stakeholder Model (1990-present): This approach became popular in 1990s when it was realized that with rising profits, the corporate responsibility towards the society should also be risen. The approach recommends that corporate should give equal weightage to social, environmental and financial

aspects of the business. This approach also recommends the corporate to own up their deeds and work in clear terms. This approach has given a new dimension to the concept of corporate social responsibility.

AMWAY and UNICEF

Amway is one of its kind multi level marketing company which has operations in 80 nations with more than of the leading direct sales consumer based companies which is operating in 80 countries with over 30 lakh stakeholders. It is a dynasty based corporate and various dynasties across the world are managing it. The households that are consuming its products are even more joyful than the stakeholders of the corporate as these households are contributing towards UNICEF initiatives towards the kids. A part of the funds generated is deployed towards upliftment of the kids across the globe. UNICEF, a significant constituent of the United Nations, works for the nutrition, pedagogy and security of the kids across the globe. It derives its funds from the discretionary contribution from the member states and various organizations across the globe. Amway is one of the significant contributors to the UNICEF fund and fulfilling its CSR obligations. It has set a precedence for other corporate of the world. Amway association with UNICEF dates back to 2001 when it embarked on its journey to help UNICEF in the upliftment of deprived kids across the borders. This initiative of Amway is popular as One – by – one. Amway also provided assistance towards Tsunami in Asian countries in 2005. This has motivated other companies to contribute towards the cause too. One – by –one campaign was initiated by Amway in 2003 and directed towards upliftment of the kids.

The highlights of One-by-one program were:

- The company will work with the UNICEF in its social initiatives.
- It will enhance the social acceptance of the company.
- Set a precedence of CSR for others to emulate.

Amway gives incentives to its staff and stakeholders to work for its one-by-one initiative. Amway is formal associate of UNICEF since 2001. Avenues explored by UNICEF to raise funds are:

- Charity by big companies across the world
- Charity by Amway's own staff
- Charity by stakeholders of Amway
- Marketing of greeting card promoted by UNICEF

The best thing that other corporates can learn from Amway is that it is fulfilling its corporate social responsibilities voluntarily and this has made the company more famous. One of the major issues with third world countries like India is that major corporates shy away from their CSR obligations.

There are various obstacles which can be enlisted as the causes of this:

Challenges to CSR initiative in India

- **Community Participation:** The community for whose benefit CSR initiatives as being proposed does not take interests in the initiatives lowering the enthusiasm of the corporates to work towards their upliftment.
- **Own Benefit:** The primary motto behind many of Indian corporate CSR initiatives are saving of taxes as CSR initiatives are given tax free status by the government. In many cases, social sympathy is missing in the initiatives and hence the ultimate objectives are not achieved most of the times.
- **Capacity Building:** Many corporates don't have trained manpower to carry our CSR initiatives. The work carried out by untrained people doesn't give the desired results. Moreover companies add the cost of training of their staff in CSR initiatives.
- **Corporate Social Responsibility not only a Concept:** Corporates should consider CSR as a social and noble cause of benevolence. They shouldn't consider it as a burden or a tax saving tool only, only then proposed outcomes can be achieved.
- **CSR Review:** There is strong need of assessing the policies and their consequences. The corporates indulging in CSR must evaluate whether the society is getting the requisite benefits or not but unfortunately this is never done in India. Here CSR is considered as a tool of saving taxes and improving the image. The focus on long term gains on corporate social responsibility is totally missing.
- **Issue of Transparency:** There is no regulatory body to check the CSR initiatives and CSR spending. Corporates carry out their CSR activities in totally opaque manner.

Suggestions

Companies should be concerned about the prevailing lacunas in the society and planned their corporate social responsibilities accordingly. It is true that corporate alone cannot work successfully towards achieving its CSR objectives until its staff works towards the same diligently. The corporates should incentivize its staff to work towards its CSR initiatives. Investors, promoters and associates, all should be motivated to become the part of CSR initiatives. Meetings, lectures, theoretical and practical training programs should be organized by the corporates to make people aware of CSR and its benefits. Periodic review of the prevailing CSR policies should be carried out and it should be ensured that all the efforts are directed towards achievement of the final outcome. Civil society institutions that work towards community issues should be promoted. Such institutions should be made an associate of the corporates so that they get consistent funding from the corporates for their social causes.

These institutions should work towards general social concerns like hygiene, pure water, the nutrition of mother as well as child and like that. It is the duty of the government to create conducive environment for the breeding and flourishing of these institutions so that ultimate objectives of upliftment of the society can be achieved. The inclusion of CSR clause in the company's act 2013 is a positive and India is a fist of the worlds' major economies to incorporate such clause. Critics may be of the view that inclusion of this clause in the companies will impact the bottom lines of the corporates but the truth is that if seen with an eye of development of the society, it is a great initiative towards achievement of CSR in our country and has long term benefits.

Conclusions

CSR is an emerging trend which is in its primitive stages and will expand to greater heights in future. Government has done a good thing by incorporating a clause on CSR in companies act as companies are now legally bound to spend a part of their earnings on CSR initiatives but how much funds they must compulsorily allocate for this is still not clear. It is believed world over now that a company can't build a positive picture of itself in consumers' mind and function successfully in long run if it does not get indulged in CSR activities. Unfortunately in India, The concept is yet to be given the requisite importance. Corporates in India still consider CSR as just a tax saving tool. The Government should bring out legislation on CSR so that corporates are under legal obligation to set aside a fix percentage of their earnings on CSR activities. Corporates should develop and run programmes especially for development of community and protection of environment in their CSR activities.

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